Hydro Québec

Cue card 2009–2010

Hydro-Québec generates, transmits and distributes electricity, mainly using renewable energy sources, in particular hydroelectricity. Its transmission and distribution activities are regulated by the Régie de l'énergie du Québec. To meet growing demand, it is continuing to develop hydropower, complemented by wind power purchased from independent producers. In addition, it conducts research and develops new technologies in energy-related fields. It also actively promotes energy efficiency.

Hydro-Québec's sole shareholder is the Québec government, which guarantees most of its borrowings.

Major Energy Assets

Water used to generate **98%** of output	**26** large reservoirs with a storage capacity of **175 TWh**	**36,810 MW** in installed capacity	Average cost of **2.0¢** per kilowatthour
Rates among the lowest in North America			

Key Statistics[1]

As at December 31	2005	2006	2007	2008	2009
(in millions of Canadian dollars)					
Revenue	10,887	11,161	12,330	12,717	**12,334**
Expenditure					
Operations	2,245	2,389	2,541	2,497	**2,521**
Electricity and fuel purchases	1,496	1,315	1,555	1,406	**1,207**
Depreciation and amortization	2,023	2,007	1,991	2,336	**2,214**
Taxes	597	534	820	1,093	**928**
Regulatory deferrals	(11)	(93)	29	(72)	**30**
Total	6,350	6,152	6,936	7,260	**6,900**
Operating income	4,537	5,009	5,394	5,457	**5,434**
Financial expenses	2,186	2,212	2,512	2,445	**2,399**
Income from continuing operations	2,351	2,797	2,882	3,012	**3,035**
Income (loss) from discontinued operations	(99)	944	25	129	**–**
Net income	2,252	3,741	2,907	3,141	**3,035**
Investments in property, plant and equipment and intangible assets	3,297	3,352	3,418	3,755	**4,083**
Costs related to Energy Efficiency Plan	91	149	172	236	**257**
Total investments	3,388	3,501	3,590	3,991	**4,340**
Total assets	60,431	63,254	64,866	66,789	**68,978**
Long-term debt, including current portion and perpetual debt	33,007	34,427	34,534	36,415	**38,002**
Equity	17,376	18,840	20,892	22,062	**22,395**
Average rate increase from January 1 to December 31 (%)	1.3	4.3	2.8	2.7	**1.6**
Installed capacity[2] (MW)	34,571	35,315	35,647	36,429	**36,810**
Customer accounts (thousands)	3,753	3,815	3,869	3,913	**3,960**
Employees (thousands)	22.1	22.6	23.1	22.9	**23.1**
Financial Ratios					
Interest coverage	2.00	2.06	2.13	2.12	**2.17**
Capitalization (%)	34.1	36.1	37.5	37.7	**37.0**
Self-financing (%)	51.1	69.8	63.1	45.7	**41.2**
Return on equity (%)	13.3	20.6	15.0	15.4	**14.3**
Profit margin from continuing operations (%)	21.6	25.1	23.4	23.7	**24.6**

1. Certain comparative data have been reclassified to reflect the presentation adopted for the current year.
2. Hydro-Québec also has access to most of the output from Churchill Falls generating station (5,428 MW) and purchases all the output from nine privately owned wind farms with a total installed capacity of 657 MW. In addition, 1,297 MW are available under agreements with independent suppliers.

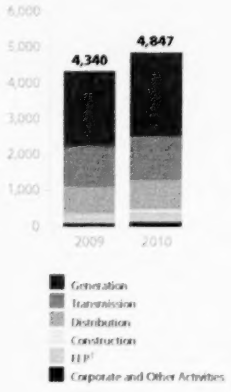
Highlights 2009–2010

- The Rupert diversion, which will add 5.3 TWh to the annual output of the La Grande complex in the Baie-James region, came on stream. Thanks to the Eastmain-1-A/Sarcelle/Rupert project, Hydro-Québec will increase its annual output by 8.7 TWh by 2012.
- Work got under way at the Romaine jobsite, north of Havre-Saint-Pierre. Four hydroelectric generating stations with a total installed capacity of 1,550 MW and average annual output of 8 TWh will be built between now and 2020, at an estimated cost of $6.5 billion.
- As part of the new 1,250-MW interconnection with Ontario, the first of two converters at the 315/230-kV Outaouais substation was commissioned. Hydro-Québec can now transmit up to 625 MW of clean electricity to Ontario, New York State and the U.S. Midwest, thereby increasing its contribution to the fight against climate change.
- Discussions continued with U.S. transmission providers on building a 1,200-MW interconnection with New England.

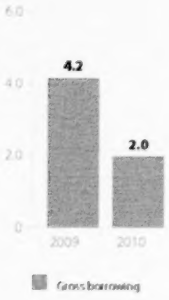
2010 Financial Outlook

Net income
in millions of C$

Investments in property, plant and equipment and intangible assets (affecting cash)
in millions of C$



Financing needs
in billions of C$



Our 2010 borrowing program should reach approximately $2 billion.

1. Energy Efficiency Plan.

Hydro-Québec: A Quality Investment

Security	Characteristics of the Debt (December 31, 2009)
Unconditional and irrevocable guarantee by the Québec government on the major portion of Hydro-Québec's debt (debentures, medium-term notes, commercial paper)	Average term: 19.0 years
	Fixed rate: 87.4%
	Floating rate: 12.6%
	Breakdown by repayment currency: C$93.5% US$6.5%

Credit Ratings (December 31, 2009)		
	Long-term debt	**Commercial paper**
Moody's	Aa2	P-1
Standard & Poor's	A+	A-1+
Fitch Ratings	AA-	F1+
DBRS	A (high)	R-1 (middle)

For more information, please consult our Web site: **www.hydroquebec.com/financing**
You can also contact the Investor Relations team at the following e-mail address: **rel.inv@hydro.qc.ca**

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